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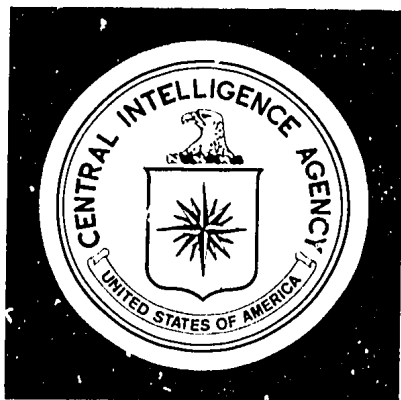
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Economic Intelligence Weekly

Secret

CIA No. 7437/73
10 May 1973

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Note: Comments and queries on the contents of this publication are welcomed. They may be directed to

SECRET**ECONOMIC INTELLIGENCE WEEKLY****Notes****Japan's Growing Interest in Canadian Tar Sands**

The Japan Petroleum Exploration Company is sending a negotiating team to Canada this month to discuss mineral leases covering oil-bearing tar sands in Canada's Alberta Province. The tar sands rank with US shale deposits as one of the world's most extensive known oil sources. Although development would be very expensive, rising world oil prices and prospects of further substantial increases are making the sands increasingly attractive to the Japanese and others. Any large-scale development would almost certainly involve US oil interests, because they hold the technology needed to exploit the tar sands. A subsidiary of the Sun Oil Company is now producing 55,000 bpd from the sands, and another US-based firm is planning to start production of 125,000 bpd by the end of 1976.

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Cuban Sugar Harvest Faring Poorly

This year's harvest is now expected to reach only 4.7 to 5 million tons, about midway between our mid-April estimate (5.3 million tons) and last year's drought-depressed output (4.4 million tons). Harvesting has slowed considerably in the last three weeks because of unfavorable weather and transportation difficulties. Cuba's low output will aggravate an already tight world market situation.

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Libya Stiffens Demands on Western Oil Companies

Prime Minister Jallud has presented the Western oil companies with a demand for a 100% buy-out of their equity. Negotiations on a lower level have been stalemated for some time, and the intervention of the prime minister signals the beginning of hard bargaining. The oil companies will assume that there is some bluff in Jallud's demand and are now prepared to do some new bargaining. At the same time, they are likely to resist Libyan pressures for an agreement that would force them to reopen those reached with other OPEC countries.

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Japan's Growing Demand for US Scrap Steel

Japan's scrap steel imports from the United States are increasing rapidly, placing further pressure on US supplies. Tokyo, already the largest

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foreign purchaser of US scrap, probably will buy some 4.2 million tons this year, more than double last year's imports. Growing domestic and foreign demand for US scrap steel already has boosted prices by about 40% since last year. The situation is not likely to ease during the next few months, because of steel producers' continuing heavy requirements.

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General Motors Makes Little Progress on Soviet Bid

GM spokesmen have described as disappointing meetings held in Moscow in mid-April to discuss GM's participation in building a truck plant in Siberia. The Soviets agreed only to buy a prototype GM V-8 diesel engine and two GM heavy diesel trucks for testing. Construction of the new facility - somewhat smaller than the Kama Plant scheduled for completion in the mid-1970s - is not scheduled to begin until the latter half of the decade. The USSR probably will seek other bids for the truck plant before starting serious negotiations.

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SECRET**PRC: Net Imports of Grain**

	Million Metric Tons						
	1961	1964	1967	1970	1971	1972	1973¹
Total	5.5	6.6	4.1	4.6	3.0	4.9	5.6-6.0
Canada	2.3	2.1	1.1	2.0	3.0	4.0	2.4
Australia	2.6	2.2	2.9	2.2	Negl.	0	0.6
Argentina	0.4	1.4	0.1	0	0	0	0.4
France	0.3	0.2	0	0.4	0	0	0
United States	0	0	0	0	0	1.0	2.2-2.6
Other	Negl.	0.7	0.1	0	0	0	0

1. Estimated.

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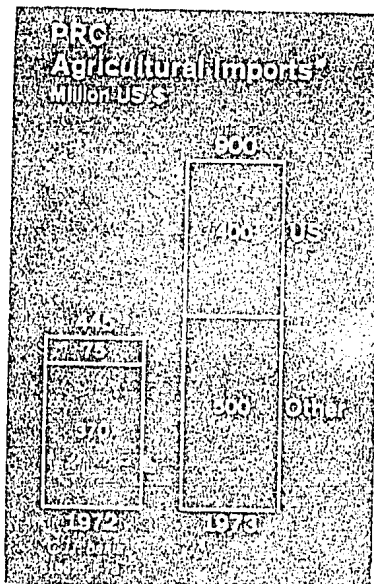
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Articles

Sino-US Agricultural Trade Prospects

The United States will supply about \$400 million of the record \$900 million worth of agricultural commodities the People's Republic of China is expected to import this year. China will import a total of about 6 million tons of grain, at least 435,000 tons of cotton,* 100,000 to 150,000 tons of vegetable oils, and a small amount of soybeans. Of these imports, about one-third of the grain and cotton and most of the vegetable oil and soybeans will come from the United States.



China has already contracted for 4.5 million tons of grain, and current negotiations are expected to increase purchases for 1973 to about 6 million tons. To avoid further grain purchases, Peking has reduced the 1973 grain ration and has expanded grain sowings by cutting back on acreage for cotton, soybeans, and other oilseeds. Growing conditions thus far have been favorable.

Peking is also negotiating for additional cotton and vegetable oil. China has already made sizable purchases from the new US cotton crop and is negotiating for more. Peking has also shown strong interest in purchasing more soybeans and soybean oil.

Reflecting the rapid growth of Sino-US agricultural trade, Peking no longer insists on buying US commodities through third country firms. China recently purchased small quantities of cotton and soybean oil directly from US firms and has inquired about the availability of credit for agricultural commodities, and the possibility of opening letters of credit through US banks.

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* Two million bales. Cotton imports are for the year ending 31 July 1973.

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Japan: Growth of Exports to the United States
Under the Restraint Program

	Exports in Sep 1972- Feb 1973 (Million US\$)	Increase over Sep 1971- Feb 1972 (Percent)	Permitted Increase in 1972-73 ¹ (Percent)
Total	2,055	17	28
Growth well above restraint limits			
Loading equipment	17	114	45
Fish, fresh and simply preserved	36	107	33
Household electric appliances	67	88	21
Seainless steel tubing	21	85	14
Thermionic tubes, cold cathode tubes	27	69	54
Trucks	100	52	23
Radio equipment	134	42	24
Cameras and photo flash equip- ment	52	41	23
Movie projectors	16	41	34
Electric circuit switches, connections	18	31	21
Growth near restraint limits			
Bicycles and parts	52	76	78
Lenses, prisms, and optical goods	26	27	31
Auto bodies, chassis, frames	45	23	19
Clocks and parts	11	23	18
Phonographs and tape recorders	185	22	26
Radio receiving sets	280	22	23
Internal combustion engines	44	16	22
Growth well below restraint limits			
Electric generators, motors, transformers	24	16	32
Passenger cars	632	1	30
Motorcycles	268	-4	32

1. For 12-month period ending in August 1973, compared with preceding 12 months.

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SECRET**Japan's Export Restraints Are Ineffective**

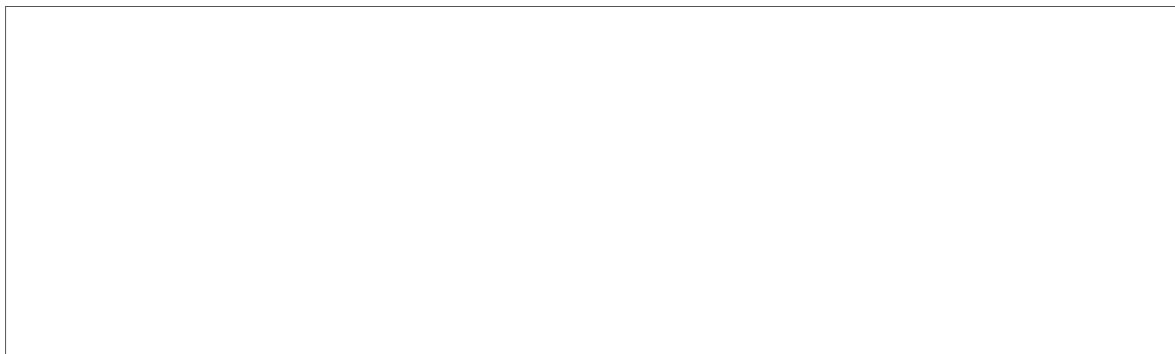
Export restraints introduced by Tokyo last year have not been strictly enforced. The program covers the year ending in August 1973 and includes 20 product categories making up almost half of Japan's exports to the US market. In the first six months of operation, growth in exports to the United States in half of the categories was well above the generous annual rates that Japan set for itself. The overall growth of controlled items fell below Tokyo's limit of a 28% increase only because the 1971 revaluation prevented any significant increase in sales of passenger cars and motorcycles. Exports of other restrained items expanded by 36% in dollar terms during September 1972-February 1973, compared with the period a year earlier.

For trucks, loading equipment, cameras, household electric appliances, seamless steel tubing, and fish the restraints obviously are being ignored. Exports of these items have been growing at up to six times the permitted annual rate. Sales of phonographs, tape recorders, and radios did not exceed the restraint limit but showed strong gains.

Unless sales decline or slow sharply during March-August, Japanese exporters will exceed Tokyo's announced annual growth limits on a number of items. For several, including electric appliances, loading machinery, and steel tubing, exports in dollar terms will have to decline from the March-August 1972 level to remain within the quota limits. The yen's latest revaluation will add to the difficulty of remaining within the limits because dollar prices on most Japanese exports are being raised substantially. Tokyo meanwhile will face strong objections from Japanese exporters if it moves to enforce the program strictly, since it had previously promised to drop the restraints in the event of another revaluation. (UNCLASSIFIED)

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SECRET**Status of Reconstruction in North Vietnam**

Reconstruction of North Vietnam's war damaged economy is progressing slowly. Some four months after the bombing halt, evacuated equipment still is being returned to original factory sites and labor reassigned from wartime duties.

Industry is still operating at a level well below that of the pre-bombing period. Electric power shortages pose a major constraint. With power output running at 50% of the pre-bombing day rate, the outlook for rapid industrial recovery is poor. Agriculture was not directly affected by the bombing. Some problems with drought and insect damage have been reported, but it is too soon to forecast the outcome of the spring harvest. Judging from the restoration effort after the 1968 bombing halt, it will take at least two more years to complete the job of reconstruction. Nevertheless, North Vietnamese planners expect sufficient progress by 1974 to warrant longer-term development planning.

Prospects are poor for prompt large-scale reconstruction and development assistance from the West, pending some improvement in the shaky Indochina truce and the outcome of the Paris talks. Only small amounts of humanitarian aid have been delivered by Western nations since the cease-fire. The most forthcoming donor thus far has been Sweden, which has committed nearly \$100 million in reconstruction and humanitarian aid. EC countries have not yet agreed upon an aid program, and probably will not do so for some time. The ultimate form of Japan's economic assistance also is unclear. Although Japan has stated its preference for multilateral aid, it probably would be willing to provide bilateral aid if Tokyo could resolve its political differences with Hanoi.

Aid from the Communist countries remains the major foreign underpinning of North Vietnam's economy. The USSR and Eastern Europe resumed seaborne deliveries as soon as goods could be unloaded at Haiphong, and China continues to ship large quantities of such essential goods as foodstuffs and petroleum to North Vietnam. Communist technicians also have resumed work on old projects and have begun work on new ones.

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Publication of Interest

Foreign Reaction to the President's Energy Message

(CIA ER IM 73-45, May 1973,)

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The President's energy message received a favorable worldwide response, on balance, but several important capitals have yet to comment. Most Middle East producers have maintained an official silence, while the Arab press urged that oil be used to change US policy toward Israel. Ottawa indicated that no immediate impact on Canadian oil exports is foreseen, and Venezuela expects to be able to market its oil at favorable prices. The West Europeans and Japanese welcomed the plea for international cooperation and the references to energy conservation. At the same time, they are concerned that increased US oil imports, following elimination of import quotas, will mean higher prices.